USA Rice Federation

4301 North Fairfax Drive * Suite 425 * Arlington, VA 22203-1616
(703) 236-2300 * FAX (703) 236-2301

February 8, 2011

The Honorable Dave Camp
Chairman, House Ways and Means Committee
1101 Longworth House Office Building
Washington, D.C. 20515

Via Electronic Submission

Re: Comments Concerning the House Ways and Means Committee Hearing on the Pending Free Trade Agreements with Colombia, Panama, and South Korea and the Creation of U.S. Jobs

The USA Rice Federation (USA Rice), located at 4301 N. Fairfax Drive, Suite 425, Arlington, VA 22203, is the global advocate for all segments of the U.S. rice industry with a mission to promote and protect the interests of producers, millers, merchants and allied businesses. USA Rice members are active in all major rice-producing states: Arkansas, California, Florida, Louisiana, Mississippi, Missouri and Texas. The USA Rice Producers' Group, USA Rice Council, USA Rice Merchants' Association and the USA Rice Millers' Association are members of the USA Rice Federation.

USA Rice appreciates the opportunity to comment on the pending free trade agreements. Rice is a sensitive political and economic commodity throughout the world, and protectionism is extensive. The U.S. rice sector is a key player in the global rice market and the economic health of the rice industry is tied to exports. While the United States produces only 2 percent of global rice output, the United States ranks, in any year, as the third or fourth largest global exporter and between 45 and 50 percent of the U.S. rice crop is exported.

Through free trade agreements, rice is able to be a competitive commodity and, in turn, create U.S. jobs. According to a recent economic impact study completed by the Agriculture and Food Policy Center at Texas A&M, the rice industry contributed 127,186 jobs to the U.S. economy in 2009. This figure, based on 2009 rice production and sales information, is a component of the total value-added to the U.S. economy from rice production, milling, and selected end users of $17.5 billion in 2009. Small businesses are well represented within the thousands of rice farmers across the six rice-producing states.

Colombia

The free trade agreement with Colombia offers tremendous short and long term economic benefits to U.S. rice producers, millers and exporters. We believe that this trade agreement holds the most promise for the rice industry since the North American Free Trade Agreement was implemented more than 10 years ago.

The free trade agreement with Colombia reflects the sensitivity of rice. Import duties on U.S. rice phase out over 19 years, with reductions from the bound rate of 80% not beginning until year 7. A tariff rate quota for 79,000 mt (milled equivalent basis) of U.S. rice is established in year one, growing 4.5% annually until free trade is achieved in year 19.

The rice provisions of the agreement with Colombia are similar to those in the CAFTA-DR agreements, but with one substantial difference. The Colombia agreement provides that the net revenue from auctioning licenses to import under the TRQ will be split evenly between the U.S. and Colombian industries. This provision remains a singular achievement of U.S. negotiators that distinguishes this agreement from other U.S. free trade agreements in the region and significantly increases its value to U.S. rice farmers and marketers, who otherwise would wait nearly two decades for free trade.

The USA Rice Federation recently estimated that the gross revenue to the United States from a 79,000 TRQ would be approximately $13 million. While the net figure would be somewhat smaller because of the expenses associated with administering the TRQ, the remaining revenue is significant and would greatly benefit the rice industry. The USA Rice Federation has proposed that all net revenue be allocated to the state rice research boards in the six producing states to be used exclusively for rice research.

Because of Colombia's 80% duty on imported rice, U.S. sales to date have been sporadic and surged only in response to production shortfalls. Annual imports from the United States have rarely exceeded 5,000 mt in the current decade, except in 2009 when a crop shortfall caused Colombia to establish a zero-duty TRQ for 75,000 mt, which the United States promptly filled nearly exclusively. U.S. sales suffer further from the duty-free treatment afforded rice from Venezuela and Ecuador.

Without the passage and implementation of this agreement, U.S. rice exports to Colombia will be sporadic at best and the key benefit of sharing the quota rents from the TRQ between the two rice industries will be lost. Colombia is an important commercial and political partner of the United States and the trade agreement with Colombia is a key tool for strengthening this agreement that should not be lost.

Panama

The U.S.-Panama Free Trade Agreement will also benefit U.S. rice producers, millers and exporters. The agreement phases out Panama's duties on U.S. rice over a 20-year period. Two separate TRQs are established for rough rice and milled rice, which allow for duty-free imports.

The milled rice TRQ in year one is 4,240 mt and will increase 6% each year before becoming duty free in year 20. The average U.S. milled rice exports to Panama for 2005-2009 are only 758 mt. This TRQ will allow for substantial access for U.S. milled rice starting in the agreement's first year of implementation.

The rough rice TRQ in year one is 7,950 mt and will similarly increase 6% each year before becoming duty free in year 20. However, the TRQ for all years is less than the 2005-2009 average for U.S. rough rice imports of 59,405 mt.

Unlike the CAFTA-DR agreement, domestic purchase as a requirement of import under the TRQ is forbidden. The agreement calls for detailed TRQ administration requirements to guarantee quota fill and to exclude producers from influencing quota administration. Thus, domestic producers cannot be allocated or awarded a portion of the TRQ. Any unfilled TRQ licenses must be surrendered by September 1 and a final auction held by October 1.

Although the 20-year phase out until free trade is 3-5 years longer than the CAFTA-DR, it is an important agreement supported by USA Rice.

South Korea

USA Rice does not support the agreement as it stands due to the exclusion of rice. Free trade agreements entered into by the United States should be comprehensive and include all products even those that are politically sensitive.

The U.S. rice industry understands the political and cultural sensitivity of the matter for Korea. However, the U.S. rice market is open, and about 15 percent of U.S. rice consumption is imported. Tariff protection in the United States for rice is virtually non-existent.

We appreciate the opportunity to provide these comments. Please contact us if you have any questions.

Sincerely,

Robert Cummings

Robert Cummings
Senior Vice President
USA Rice Federation